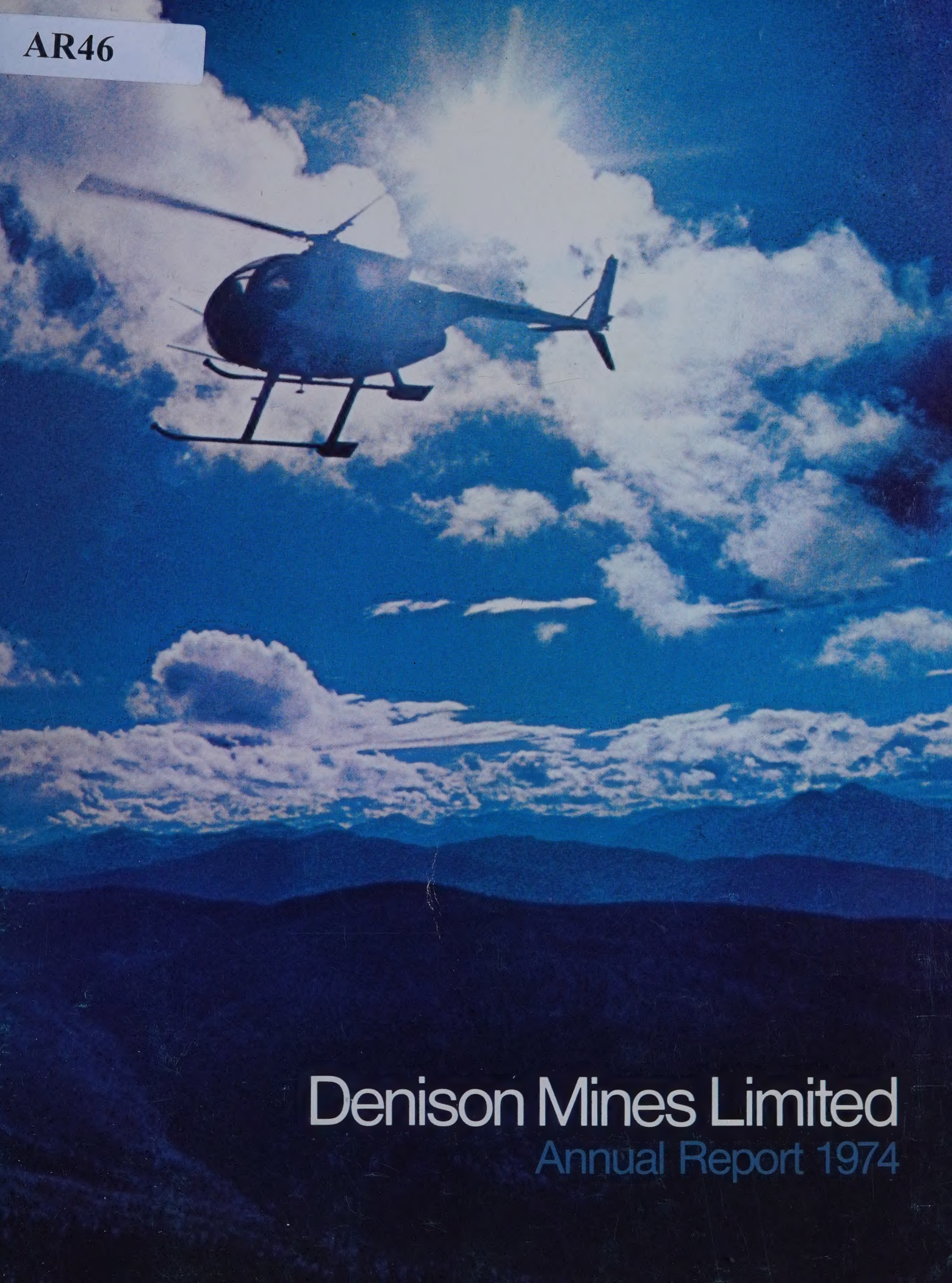

Denison Mines Limited

Annual Report 1974

Denison Mines Limited Annual Report

For the year ended December 31, 1974

Contents

Cover Photo:
A helicopter flying over the Quintette coal property in the Rocky Mountain foothills in north eastern British Columbia. This photo was taken in August 1974 when the Japanese steel mills technical mission inspected the property. Present plans call for mining the coal on this property using the underground hydraulic technique.

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B. E. Willoughby

Highlights

- Contract signing
  The Tokyo Electric Power Company Inc. for delivery of 40,000,000 lbs. uranium concentrates during 1984-93
- Substantial increase in net earnings
- Uranium plant expansion well advanced
- Further strengthening in world uranium market
- Contract signing
  Empresa Nacional del Uranio, S.A. (SPAIN) for delivery of 4,000,000 lbs. uranium concentrates during 1975-77
- Record earnings achieved by Lake Ontario Cement
- Major cement plant expansion under way
- Dramatic increase in world coal prices

Financial Highlights

	1974	1973
Net earnings for the year	$12,554,551	$9,799,833
Net earnings per share	$2.75	$2.15
Cash flow from operations per share	$4.34	$3.51
Shareholders' equity per share	$15.94	$14.59

Directors' Report

A year of progress and expansion.

Stephen B. Roman
Chairman

On behalf of the Board of Directors, we are pleased to submit this Annual Report for the year ended December 31, 1974.

Higher net revenue from uranium operations, increased oil and gas earnings and a strong performance at Lake Ontario Cement Limited are the major factors contributing to the 1974 consolidated net earnings of $12,555,000, equal to $2.75 per share, an increase of 28% over the preceding year. These results compare with $9,800,000 and $2.15 a share in 1973 and represent the third successive year during which there has been an increase in earnings.

Energy

Realizing fully the needs of a growing world population and the need to improve productivity for the betterment of life generally, Denison Mines has concentrated on energy resources since its inception. It is heartening that a general appreciation of energy needs and problems has become a matter of keen public interest, although the crisis circumstances in which this interest has developed were unfortunate.

The concerns expressed by your Company in the past have become the concerns of all. Canadian resource industries are capable of assuring the energy needs of Canada and can help other nations, some struggling with desperate energy problems. The unprecedented legislative attacks on resource companies however have been illogical and ill-informed and ignore the realities of the resource industries.

Typical of the resulting damage is the unhappy effect on the Canadian uranium industry of four years of uncertainty and inhibiting government policies. There has been a virtual cessation of exploration for new uranium sources, the vital first step necessary in establishing supplies for the long-term future. Of even broader harmful impact are the unhealthy provincial-federal government tax disputes and attempts to impose alien political-economic theories on resource industries. The results now are being felt in Canada in a slowdown in the exploration activities of the mining and oil and gas industries.

Uranium

Scheduled shipments of uranium from the Denison Mine increased in 1974 and will increase again in 1975 to Japanese and Spanish purchasers. Good progress has been achieved in the expansion of production facilities at Elliot Lake and the mill will reach the scheduled 25% higher uranium oxide production capability during 1975.

Early in 1974 agreement was reached with Empresa Nacional del Uranio S.A., the Spanish company responsible for uranium procurement for Spain's nuclear program. Denison already is the principal supplier to Spain. The new contract is for an additional 4,000,000 pounds of uranium concentrates for delivery over a four-year period. On March 29, 1974, a contract was signed with Tokyo Electric Power Company for the sale of 40,000,000 pounds for delivery during the period 1984 to 1993.

Both contracts have since been amended to meet government policy on Canadian processing and procedures for renegotiating long-term prices. However, final approval by the authorities of these agreements is still awaited as the federal government formulates detailed policies on exports of uranium. As a result of this delay, the first delivery under the new Spanish contract, scheduled for 1974, had to be deferred. Advance payments to Denison totalling $36,000,000 due upon Canadian government approval are still held up. We are confident however that these two contracts will be approved by the

Canadian government authorities in the near future.

In Canada the accelerating rate of change in the nuclear industry and a growing domestic nuclear program impelled the Canadian government to develop new criteria for uranium exports. On September 5, 1974, the federal Minister of Energy, Mines & Resources issued a statement on uranium policy. The policy requires that domestic nuclear fuel requirements be met by producers, and that domestic utilities share this responsibility by maintaining a contracted forward supply, sufficient for at least fifteen operating years for each reactor. Firm export contracts will be limited to ten years with contingent approval possible for an additional five years, subject to price re-negotiation and domestic requirements.

Current Canadian consumption of uranium is minimal. However, a rapid increase is projected in the 1980's, principally by Ontario Hydro which has an ambitious program of projected construction of nuclear stations. The new federal criteria require that a reserve margin be allocated to each uranium producer based on the ratio of its uranium resources to total Canadian recoverable resources. The first allocation determinations will be made in 1975.

The measures taken by your Company since 1966 to be ready for the events of this decade have proven to be sound and the Denison mine, through programs of modernization and development of improved mining and processing techniques, is well prepared for expanded production. Our series of export contracts already provide a solid continuing base for continuous operations to 1993 and our reserves are adequate into the next century.

Other Operations

The Company's Oil and Gas Division, although caught in the confusions and contradictions of inter-government tax and royalty disputes, is becoming increasingly aggressive in expanding its search for oil geographically. Exploration programs in the United Kingdom sector of the North Sea and in the Mediterranean Sea off Spain are at the stage where developments could be of considerable significance.

The Coal Division has underway feasibility studies on a major development project for the Babcock coking coal reserves in British Columbia. Results of this evaluation should be available by mid-year. Associated with us in this project are excellent partners with marketing and coal mining expertise.

Lake Ontario Cement will complete its major expansion program in 1975 which will make the Picton plant one of the largest cement plants in North America. Earnings of this company have more than doubled in the past four years and the outlook for continuing growth is most favourable.

Outlook

The natural resource industries have been a basic part of the development of Canada, giving economic and financial strength at times of crisis, creating opportunities for individuals to better their own lives and build a better future for their children and pushing back the frontiers of a country once considered forbidding and inhospitable to mankind. One need only look at a map to recognize the impact of discoveries of oil, uranium, copper, iron, columbium, potash and other resources on the development of our country.

The conditions under which all of this occurred were deliberately created by Canadians.

For many years, Canada was a leader in policies and legislation encouraging the constructive and beneficial development of the country's resources. These policies were founded on an appreciation and understanding of the difficult obstacles encountered through the long history of pushing back the Canadian frontier. Past policies permitted the building of companies like Denison Mines, the accumulation of Canadian pools of risk and development capital, and most important, a high level of knowledge and skills in those people active in resource industries.

In recent years, more by default than through deliberate design, the Canadian people have permitted alien ideologies to create confusion and uncertainty to so great an extent that we are in danger of crippling for years this vital natural resource development effort.

The politically-based tax dispute over the natural resource industry is well known. The tax and royalty situation now is ludicrous to the point of being confiscatory.

Corporate profits are necessary for the accumulation of capital and to induce investments which create employment and higher government revenues. Without healthy profits there cannot be healthy growth. Without healthy growth there will not be opportunities for individuals to improve their lives and to help society overcome the problems ahead.

We at Denison are determined to continue to contribute to Canadian growth. With your Company's resources we can look to new challenges as opportunities, despite the political and economic uncertainties that give us all reason to be concerned.

On behalf of the Board of Directors

Stephen B. Roman,
Chairman and
Chief Executive
Officer.

John Kostuik,
President and Chief
Operating Officer.

Toronto, Ontario
January 13, 1975

John Kostuik
President

Uranium

The importance of uranium increases world wide.

At the uranium operations at Elliot Lake all commitments were met and the contribution to the Company's net revenue again was higher. While production of uranium oxide was lower in terms of pounds produced, higher prices and increased shipments under contracts resulted in the increase in revenue.

Grade of ore mined again was lower as part of sound mining practice to extend the economic life of a mineral deposit. Work interruptions were also a factor in the reduced production which totalled 2,806,593 pounds. The mill treated an average of 3,970 tons daily, compared with 4,300 tons daily in 1973.

Above: structural steel for crushing plant extension.

The major expansion program planned in 1973 and carried forward through 1974 is expected to increase milling capacity to 7,100 tons daily by mid-1975.

From inception in 1957 the mine has produced more than 69,400,000 pounds of uranium oxide. Yttrium oxide production continued and 86,788 pounds were packed during the year to meet contract commitments.

Mining

Operations were hampered by a shortage of trained underground personnel, a problem general in the Canadian mining industry. Continuing efforts to improve efficiency through the introduction of new equipment and techniques are proving successful as productivity per mining manshift increased. New equipment included three specially designed roof-bolting units for one-man operation, a longhole drilling unit consisting of two drilling booms on a motorized platform and two crawler-type single boom drill units. This equipment has improved drilling performance substantially. A better method of handling and loading bulk explosives also was developed and introduced in 1974.

During 1974 emphasis and priority were placed on progress of underground excavations for ventilation projects commenced in the previous year. The major headings and raises required for the ventilation system were driven continuously. One of these, the Roman Island raise 1,750 feet in height, is one of the longest vertical raises ever undertaken anywhere. The pilot raise was completed and slashing to a full 25 foot diameter progressed to within 546 feet of completion by year end. The pilot raise 1,050 feet in height at Knowles Island reached breakthrough and slashing to a 22 foot diameter has just been started. On completion of these projects in 1975, capacity of the air system will be more than doubled, supplying 11 tons of air per ton of ore hoisted. Good progress also was made on excavation of ventilation headings to distribute the air to active mining areas. These are important projects in the continuing effort to maintain and improve good working conditions.

Another exploration drive with double headings continues toward the Stanrock workings. This will investigate the uranium potential of the area, at the same time connecting the two Stanrock shafts as supplementary airways for the ventilation program.

Milling

An addition to the boiler plant is the only major segment remaining to be completed of the expansion to a capacity of 7,100 tons of ore daily. The remainder of the expansion was 75% completed at year end. A potentially-important development has resulted from the continuing investigations to improve milling plant efficiency. An increase in recovery of uranium of at least 0.75% per ton of ore treated is indicated by altering a milling circuit to return "royal barren" solution to the leaching circuit.

Reserves

The Denison properties have established one of the largest known uranium ore reserves in the world. Given continuing suitable market conditions, operations will carry on well into the next century.

Environmental Protection

Major projects have been undertaken by the Company since 1966 to constantly improve the mine and surface plant. These efforts have resulted in a steady improvement of working conditions and the quality of the working environment. The Roman Island and

Knowles Island ventilation projects are part of the Company's effort to provide and maintain the best possible working conditions. In 1974 a Commissioner was appointed by the province of Ontario to conduct a public inquiry into the health, safety and working conditions of miners in Ontario. In the interim, a report on investigations by the Ministry of Health issued in December, 1974 confirms that radiation levels and diesel exhaust levels in the Denison mine are under satisfactory control. The Company is participating in every possible effort to find methods to improve control of respirable dust by enforcing the wearing of personal protection as well as by isolating the operators in ventilated booths and cabs. The doubling of the air capacity of the ventilation system beyond the already high level is an important step in assuring that the working environment will meet stringent standards.

Safety and Labour Relations

Safety awareness is emphasized in all company activities and supported by training for all personnel. The McCrae trophy for proficiency in first aid was won by a Denison team in 1974.

The problems of inflation and resulting sharp increases in living costs were upsetting generally through Canadian industry in 1974. Although labour agreements with unions representing the Company's employees were not due for re-negotiation during 1974, an illegal strike, work stoppage and slowdowns did occur. Three wage increases were given union members during the year.

Labour turnover, which increased to 2.8% per month from 1.4% per month last year, and a national shortage of skilled miners and mechanics make it essential to train more personnel in on-the-job programs. Existing organized programs will be expanded to train miners and tradesmen for the larger work force required for operations in 1975 and future years.

Welding in new pachuca tank area.

Oil and Gas

Search for oil expands geographically.

Earnings for the Oil and Gas Division showed a further increase in 1974 although production declined slightly, largely the result of government restrictions on exports of crude oil to the United States. Some potentially significant developments occurred in exploration programs, especially in the United Kingdom sector of the North Sea and in the Mediterranean Sea off Spain. Discoveries of both oil and gas fields were made in Alberta where development of production is continuing.

For 1975 oil production in Canada will continue to be affected by federal government export restrictions. In 1974, gross crude oil sales averaged 6,129 barrels daily, a 6% decrease or 408 barrels daily lower than the record volume sold in 1973.

The average price obtained for a barrel of oil at the wellhead increased from $3.96 at the beginning of the year to $6.63. This increase of $2.67 per barrel was largely offset by increased royalties which now exceed 41% gross compared with 16.3% two years ago. Provincial royalties, net of Alberta credits, paid on the Company's 1974 production totalled $4,485,000, an increase of 227% over 1973.

During 1974 the Alberta Government rulings on reserve submissions for fields of interest to the Company were evaluated and as a result the gross reserves were reduced by 9%, excluding the current year's production. This adjustment, which has been confirmed by an independent evaluation, occurs mainly in the Swan Hills area where a major portion of the Company's reserves are located.

Sales of natural gas averaged six million cubic feet per day in 1974 and were essentially unchanged from the previous year. The average price obtained for gas sales was 18.9 cents per thousand cubic feet compared with 11.1 cents in 1973. Price increases for a substantial portion of the Company's production became effective near the end of the year and will result in substantially increased natural gas revenue in 1975.

Alberta

During 1974 the Company participated in the drilling of ten exploratory projects. This activity resulted in varying interests in three oil wells and two gas wells. These successes will be followed up in 1975 with development drilling. In addition, eleven tracts of land were acquired at government sales. These will provide for continued drilling activity during 1975.

Two of these oil wells were successfully completed in the Virginia Hills area. These wells have extended the productive area of the Virginia Hills field and the Company is planning to continue development in 1975.

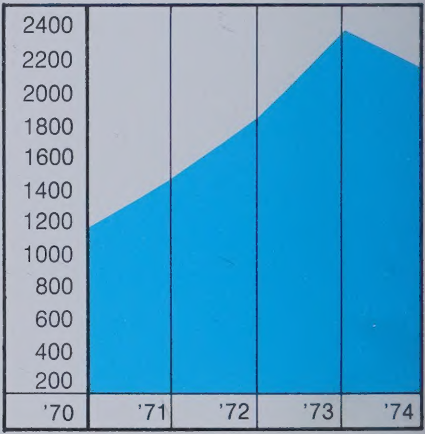
In the Gilby area, one oil well was drilled and is undergoing production tests. Results of these tests will aid in planning further development of this new oil pool.

At Farrell Lake two gas wells have been completed and a significant productive area is indicated. A continuing development program is planned for 1975 with a view to marketing the gas by early 1976.

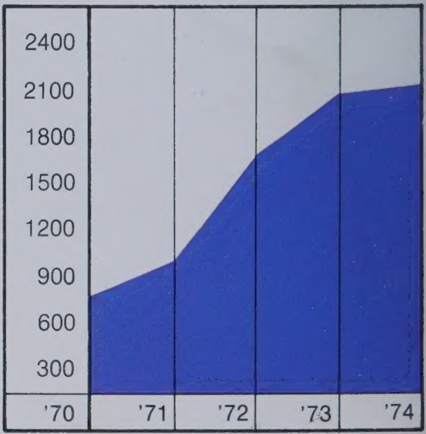
In the Edson area, the Company participated in the construction of a gas conservation and sales facility. This new gas plant, in which Denison has a 45% interest, was brought into operation in October, 1974 at the designed capacity of three million cubic feet per day. It provides for steady production of oil and gas from this pool.

In the Cessford area, the Company plans to develop the gas reserves discovered in 1972. This gas should be flowing to market by the end of this year.

During the year Denison was involved in the formation of a new oil and gas



Gross crude oil production
Thousands of barrels



Gross natural gas sold
Millions of cu. ft.

	1974	1973
Earnings	$ 7,590,000	$ 5,829,000
Crude Oil (barrels)		
Gross Production	2,237,000	2,386,000
Gross Reserves	32,610,000	38,615,000
Natural Gas (thousand cu. ft.)		
Gross Sales	2,236,000	2,103,000
Reserves	37,429,000	40,826,000

Above: drilling rig in Alberta.
Opposite: drilling rig crew pulling drill pipe.

producing unit in the Niton area. Once the interests of the various participants have been determined, the Company's leases will be fully developed and placed on production.

U.S.A.

In the United States, an exploratory well is drilling in Tennessee. Earlier drilling was unsuccessful in Montana, North Dakota, Utah and Louisiana.

North Sea

The North Sea discovery with most significance to Denison is in the United Kingdom sector under the Ninian structure in Blocks 3/8 and 3/3. This structure extends onto adjacent Block 3/7 in which Denison has a 10% interest. The Ninian field was discovered early in 1974 by the British Petroleum 3/8-1 well about 90 miles east of the Shetland Islands. This was followed closely by the successful completion of the Burmah Oil 3/3-1 well. By the end of the year a total of five successful oil wells had been drilled by British Petroleum and Burmah Oil. One of these wells is located one mile east of the boundary of Block 3/7. British Petroleum started drilling a new well on Block 3/8 in December, 1974 which will test a second subsurface structure which lies to the south of the Ninian field. This second structure also extends across the boundary from Block 3/8 to the Company's Block 3/7. During 1974 the Company acquired additional seismic data which will aid in further evaluation of the subsurface structures previously recognized on Block 3/7. At least a part of this Block should be within the limits of the Ninian field which is calculated to have reserves of 1.5 to 2 billion barrels of oil.

Mediterranean Sea

A reconnaissance seismic survey was conducted over the five Spanish offshore permits in the Mediterranean Sea that are held jointly by the Company and Canada Northwest Land Limited.

The preliminary interpretation of the seismic data is very encouraging and indicates the presence of a number of large subsurface structures 30 miles west of the Amposta structure where Shell has established oil production. A detailed seismic program is planned for early 1975 and this should establish more precisely the size and magnitude of these structures. The five permits in which the Company has a 50% interest cover 168,370 acres and are located 75 miles southwest of Barcelona.

Coal

Long term outlook for coal improves dramatically.

Main camp, Babcock project, helicopter returning mapping crews to base.

Denison's Coal Division continued to be active in 1974. Significant extensions were made to the proven reserves at the Babcock project and a thick, new coal zone was discovered in the Wolverine area of the Quintette property. Meaningful progress was also achieved in the complex and time consuming process of study and economic planning for the development of coal production. These advances are being made against the Canadian and worldwide background of a fundamentally improved long term outlook for coal as a source of energy. The most advanced project, Babcock in B.C., has reached the stage of detailed economic feasibility calculations and planning. The results should be available before mid-1975.

The recognition by western industrial nations of the growing importance of thermal coal as part of their total energy resources and the acute shortage of the premium quality coking coals used by the steel industry have caused international coal prices to rise to unprecedented levels. Denison's coal interests include both good quality thermal coal and large quantities of exceptionally good Western Canadian coking coal that place the Company in an excellent position to capitalize on this demand.

British Columbia

Changes in the new British Columbia Coal Act require that coal property owners again apply for license areas, pay 100% more in rental and carry out work commitments equal to $3.00 an acre in the 1975 license year, with these required expenditures rising to $5.00 an acre in 1977 and thereafter. As a result of this legislation we relinquished part of the Belcourt and Quintette coking coal properties. However, economically-accessible coal reserves on these two properties remain substantially unchanged (2.8 billion tons in place on the more advanced Quintette property, including Wolverine and Babcock, and some 300 million tons in place at Belcourt).

Quintette

Quintette Coal Limited has applied for new coal licences covering 96,247 acres, a reduction of 48,247 acres. This new acreage includes the Babcock area (43,778 acres), where our Japanese partners have acquired an interest, plus the Wolverine area (23,072 acres), and the remainder of the property in which Denison and Alco Standard Corporation still share interests of 51% and 49% respectively. The Babcock and Wolverine areas remain essentially intact and these two projects continue to receive the most attention.

(i) Babcock

On the Babcock project proven reserves have been extended and production capacity of 3 million tons annually is now indicated, using a number of underground hydraulic mine entries. Exact reserve and production estimates will be available on completion of final feasibility studies. All necessary data have been obtained with the completion of the exploration program financed by Mitsui Mining Co. Ltd. and Tokyo Boeki Ltd. These two Japanese companies now have earned a 10% beneficial interest through shares held in Quintette Coal Limited. Denison Mines has a 46% interest in the Babcock project. The Japanese companies are maintaining an option which would enable them to acquire for $2 million an additional 15% interest from Denison and Alco Standard Corporation. If this option is exercised, Denison would retain an interest of 38%.

Approximately $3 million has been spent on the Babcock project. Reserve estimates, to a depth of 1500 feet, are now approaching 500 million tons of exceptionally good coking coal in place. Efforts are now being concentrated on negotiating long term sales contracts and determining economic viability. A large technical mission from Japan made its second visit to the property this year and this has resulted in a very real expression of interest from the Japanese steel industry.

(ii) Wolverine

Exploration in the Wolverine area extended the previously indicated reserves of 100 million tons and revealed a 23 foot coal zone suitable for hydraulic mining and close to the proposed rail line to the Babcock property. If additional work confirms the continuity and quality of coal, this new zone could support about one million tons of annual production.

Belcourt and Saxon

Elsewhere in B.C. the inactive Belcourt property has been reduced to 13,002 acres from 35,110 acres. This reduction affects only deep reserves and the remaining land is estimated to still contain some 300 million tons of coal in place.

On the Saxon property an interest has been expressed by others in participating in the completion of exploration and development of the 250 million tons of coal outlined by Denison's previous work and in extending exploration to other parts of the property which have potential for the discovery of both underground and strippable coal.

Alberta

Rock Lake

At Rock Lake in the Willmore Wilderness Park, an Alberta government Environment Conservation Authority report on the Eastern Slopes encourages our efforts to obtain permission to resume exploration and development. This report favours development of hydraulic mining techniques, particularly suitable for the known Rock Lake coking coal reserves.

Wildhay

At Wildhay, the Company has been issued leases and given permission to explore an area of 25,103 acres just southeast and east of the Rock Lake property and outside Willmore Park.

Coalspur

The Coalspur thermal coal area has been increasingly active with two companies shipping coal to Ontario for large burn tests. Denison has applied to increase holdings by 3200 acres to 22,840 acres under lease and application. Discussions have been held with Ontario Hydro and with other parties that may be interested in joining in this development.

Industrial

Major cement plant expansion underway.

Above: *quality control sampling into the kiln at Reiss Lime.*

Lake Ontario Cement Limited

Denison's investment holding of 53.7% of the outstanding shares of Lake Ontario Cement Limited is proving increasingly valuable with the outstanding performance and growth of this producer of portland cement and concrete products. Earnings have more than doubled over the past four years, since the recession of 1970, and both earnings and sales again are at record levels. Expansion currently underway will effectively double the kiln capacity of the Picton plant. Dividends have been increased and new financing has been completed. A major clinker bulk sales contract was obtained recently.

In 1974 consolidated net earnings before an extraordinary gain were $2,743,011 (63.8¢ per share), up 5.5% over the 1973 levels of $2,600,203 (60.4¢ per share). Consolidated sales totalled $39,398,521, up 12.9% over the previous year's $34,882,689. An extraordinary gain on the sale of land of $482,226 increased the company's total earnings for the year to $3,225,237 (75.0¢ per share). While earnings did not increase at the same rate as sales, total profits were up in spite of inflation which had more influence on costs than on selling prices.

Operations

Shipments of cement to customers in the Ontario and New York State markets exceeded 1973 shipments. Cement prices in Ontario were increased January 1, 1974 and a further price increase was effective January 1, 1975. Prices also increased in our U.S. market area. Price increases failed to keep pace with rapidly increasing costs.

Lake Ontario Cement is very optimistic about the long-term future of the cement industry. Expansion at the Picton, Ontario manufacturing plant announced a year ago will be completed this year. This expansion will effectively double kiln capacity and will make it one of the largest cement plants in North America.

Of major importance is the recently announced $20 million export contract for the sale of clinker over a three year period commencing in 1976. Clinker is a semi-finished product of the cement manufacturing process requiring final grinding with gypsum to make cement. This is the largest contract ever negotiated by Lake Ontario Cement for its product. Clinker will be delivered by ship to the Cement Division of Martin Marietta Corporation at Essexville, Michigan. The contract contains a formula providing for adjustments to take into account inflationary factors and is expected to provide an excellent return.

The Concrete Products Division which consists of ready-mix concrete operations, concrete block manufacturing and sand and gravel operations, had another record year in terms of productivity and volume. Primeau Argo Block Co. Limited, an associated company of Lake Ontario Cement Limited, had another good year. Primeau Argo continues as one of the largest concrete block manufacturing companies in Canada.

Financial

Lake Ontario Cement Limited continued to improve its financial strength. Working capital increased from $4,518,381 in 1973 to $10,572,882 at the end of 1974. The company arranged new financing in June 1974 with the issuance of a $15,500,000 9.75% debenture due in 1994 to The Prudential Insurance Company of America. Part of the proceeds was used to redeem the $10,500,000 9.75% debenture arranged in 1971. The additional funds along with cash generated from earnings and with available bank operating lines of credit will handle the present major expansion program.

Of considerable significance was the extension of the federal tax incentive program for manufacturing and processing industries. All expenditures on the present expansion program will be eligible for the two year accelerated capital cost allowance. The company has been re-investing the bulk of its generated funds in new capital assets in a continuing plan to grow and make the most effective use of its facilities.

Dividends paid during 1974 were increased to 12¢ per share as compared with 10¢ paid in 1973.

Capital Expenditures

During the year, Lake Ontario Cement spent $6,723,986 on capital expenditures for property, plant and equipment, compared to $7,102,729 in 1973.

Outlook

Lake Ontario Cement is prominent in cement and concrete markets in Ontario and in the cement market in the U.S. It is now evident that the economy in both Canada and the U.S. peaked and turned down in mid-1974. In Canada, the principal source of strength will be a sizable increase in capital spending. While housing activity has declined sharply recently, stimulus is expected because of anticipated improvements in cost of mortgage loans for home buyers. Some 35% of cement production is used in residential construction. Lake Ontario Cement projects a soft U.S. cement market through the spring of 1975 resulting in lower shipments, but strengthening in the last half to yield physical volume close to 1974.

Reiss Lime Company Of Canada

Denison has a 49% interest in Reiss Lime which operates an industrial lime plant and dock facilities at Spragge in northern Ontario some 35 miles south of Elliot Lake. The company supplies lime to mines and to pulp and paper and other industries. In 1974, because of shortages of lime generally, Reiss made deliveries to some new customers outside its traditional marketing area of northern Ontario. Generally, results proved to be second only to the record levels of 1973. The outlook is favorable for 1975. Improved lime prices are necessary to offset rapidly rising costs of fuel which are a significant part of production costs in lime kiln operations. An examination is being made of the possibilities of expanding and diversifying the scope of the company's activities in Ontario.

Kiln sections for the Picton cement plant expansion arrive by barge, November 1974.

Exploration

The search for minerals continues in many areas.

An increasing emphasis on exploration outside Canada has developed in the Canadian mining industry and in Denison's activities. This foreign trend is the inevitable result of decisions and actions of governments which act to discourage the efforts of private industry in the continuing search in Canada for sources of metals and other minerals. In some provinces it has become difficult to develop production of previously discovered mineral deposits because the authorities concerned effectively and deliberately prohibit such development. Outside Canada, many prospects and proposals have been reviewed. Agreements have been signed to investigate copper deposits in Mexico and in the Philippines, and examinations were made on mineral occurrences in the Philippines as well as in Peru.

Several exploration projects are at significant stages. These include drilling of porphyry copper in the Philippines, a known copper area in Mexico, zinc anomalies in the Northeastern United States and uranium at Johan Beetz in Quebec. The following is a more detailed summary of activities.

Canada

Exploration for base metals was continued in Nova Scotia where properties are held under three different joint venture agreements. Drilling was continued in the Meaghers Grant area on a program financed by Denison, Getty Mines and Imperial Oil. Further drilling was carried out in the Stewiacke property held on a 50/50 basis with Calvert Oil and Gas. A minimum program was undertaken in the northern Windsor Basin properties held under joint venture with Great Horn Mines and Ducanex.

Above: examining drill core on a Denison exploration project.

Two properties were acquired for uranium potential. One is in Saskatchewan and the other in Quebec on the north shore of the St. Lawrence River at a point about 150 miles east of Seven Islands near the village of Johan Beetz.

At Johan Beetz, in a joint venture with Imperial Oil, a program of mapping and sampling was carried out following an airborne gamma ray spectrometer survey. Sufficient encouragement was obtained to warrant percussion drilling. This drilling is continuing.

The Saskatchewan property in the Carrot River area was acquired as a result of a federal/provincial airborne gamma ray spectrometer survey. Ground checking has given little encouragement so far.

In the Elliot Lake area additional claims were staked following a study of the properties acquired as a result of the merger with Stanrock. An extensive program of diamond drilling is being planned to evaluate these prospects.

U.S.A.

Exploration in the Powder River Basin of Wyoming was continued on the LeBar Hall property in which Denison participates on a 60/40 basis with Cabot Corporation. Drilling has increased the inferred reserves to approximately 700,000 pounds in material averaging 0.126% U_3O_8 at depth amenable to open cut mining.

The agreement covering 64,000 acres in the Powder River Basin with Nuclear Exploration and Development was terminated.

A search for zinc deposits in the northeastern States has been underway since the middle of 1974 and has met with some encouragement. Properties covering zinc anomalies are being acquired and diamond drilling will be undertaken in 1975.

Australia

The joint venture with Pato Consolidated Gold Dredging Co. Ltd. and Mitsui Co. Ltd. continued the search for uranium in Australia but failed to detect any anomalies of interest. This project is now being terminated.

Philippines

Early in 1974, an examination was made on a number of Philippine prospects and one was chosen for further investigation. This prospect, which has the characteristics of a porphyry copper deposit, is located in the Province of Zamboanga del Sur, Mindanao Island. Denison may earn a 40% direct interest which is the maximum allowed by Philippine law and will manage any mining operations. The remaining 60% will be controlled by Argonaut Mineral Exploration Inc., a Philippine company.

The property has been mapped and prospected and a geochemical survey completed. Two diamond drills are currently testing the extent and grade of the copper mineralization.

Mexico

Under an agreement with a private company, Denison has acquired an option to buy all of its shares. This company owns a 49% interest in a Mexican company with properties in Jalisco Province, Mexico. Numerous old workings attest to the strength and grade of the copper mineralization over a distance of about three kilometers and to a depth of 200 meters. Diamond drilling is planned to test the continuity of the mineralization with depth.

Investments

A year of turmoil in securities' markets.

The examination of investment opportunities in the natural resources and other fields continued during the year.

☐ A 9% interest was acquired in the common shares of Fibreboard Corporation. The company is a leading manufacturer in the western United States of paperboard products and forest products, including paperboard, packaging, lumber and plywood. The company owns timber lands primarily in California and its mills and plants are principally located in California, Washington, Oregon, Arizona and Hawaii.

Above: *view along the exterior of the kiln at Reiss Lime.*

☐ Consolidated net income of International Mogul Mines Limited in the 9 months ended September 30, 1974 was $716,000 (before an extraordinary item) compared with $5,684,000 for the same period in 1973. The decline was attributable to losses on investments and marketable securities, losses on currency fluctuations and the provision for deferred income taxes by Mogul of Ireland, a 75% owned subsidiary, which will commence to pay taxes in 1976. Net loss for the period was $6,123,000 after an extraordinary item representing amounts written off the company's direct and indirect interests in certain oil and gas properties in the United States.

☐ In the first 9 months of 1974 net income of Pacific Tin Consolidated Corporation was $1,804,000, an increase of $710,000 over the same period in the preceding year. The results reflect lower production of tin due to the shutdown of one dredge for a period of 3 months, substantially higher tin prices and increased feldspar sales.

☐ As a result of increased copper production at the Blue Hill mine, and higher metal prices, Black Hawk Mining Ltd. achieved a profit in 1974 from operations (before amortization of deferred expenses and interest) of $1,534,000, compared with $636,000 in 1973. During the year, Black Hawk repaid to Denison advances of $227,464 and debenture principal totalling $750,000.

In the Carleton zone, south of the shaft, surface diamond drilling is continuing to extend the area of known mineralization and to obtain more information for economic evaluation of the zone. Additional surface drilling of the Mammoth copper zone is adding to the ore reserves of this area.

☐ Standard Trust Company continued its growth in 1974 and total assets owned amounted to $86 million at December 31, 1974, an increase of 22% over the preceding year. During the year representative offices were opened in Walkerton and Woodstock, Ontario. Net earnings in 1974 increased by 5% to $352,000 despite unusually high interest rates throughout the year.

Subsidiary

Lake Ontario Cement Limited	53.7%
Primeau Argo Block Co. Limited	50%*
Rochester Portland Cement Corp.	100%*

*Percentage held by Lake Ontario Cement Limited

Other Investments

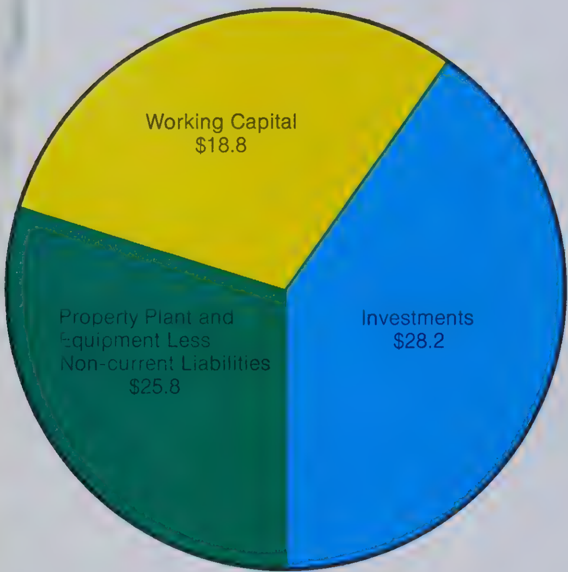
International Mogul Mines Limited	8.3%
Pacific Tin Consolidated Corporation	36.8%
Reiss Lime Company of Canada, Limited	49.0%
Standard Trust Company	42.4%

Exploration and Development

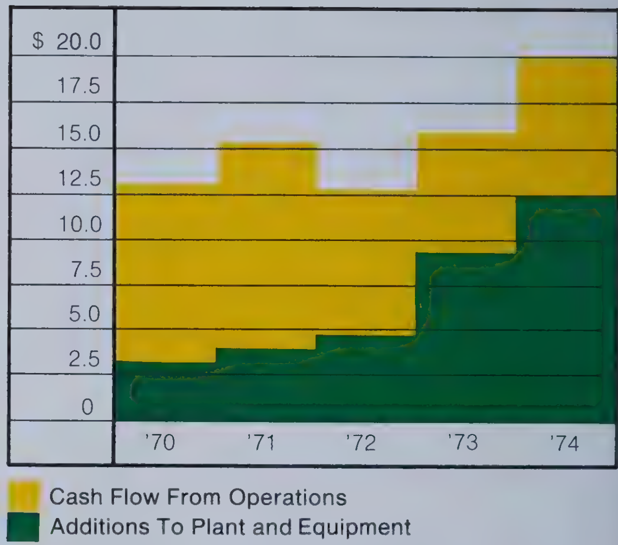
Argosy Mining Corporation Limited	37.1%
Black Hawk Mining Ltd.	32.5%
Consolidated Rexspar Minerals & Chemicals Limited	46.9%
Lakehead Mines Limited	38.6%
Vespar Mines Limited	38.6%

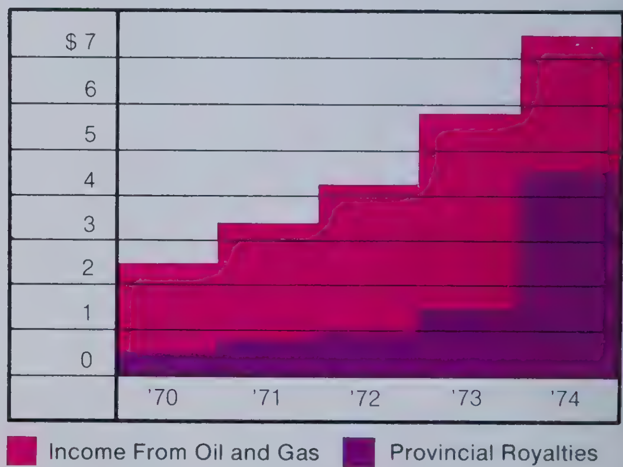
Financial Charts

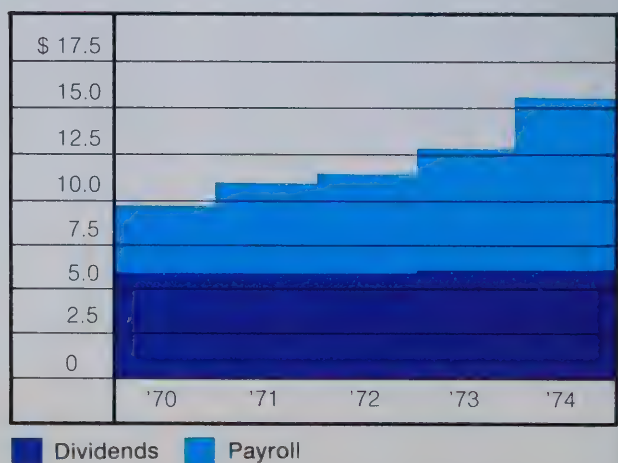
All amounts in millions of dollars



Composition of Shareholders' Equity







Accounting Policies

For the Year Ended December 31, 1974

The accounting policies of the Company and its subsidiaries are in accordance with generally accepted accounting principles. Outlined below are those policies considered particularly significant for the Company.

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and all subsidiaries. Investments in effectively controlled companies are accounted for by the equity method.

Inventories

Concentrates and finished and semi-processed cement products are valued at average cost of production. Operating supplies are valued at average cost. In all material respects, inventory costs are lower than either replacement cost or net realizable value.

Long-term Investments

The investment in shares of effectively controlled companies is carried at cost adjusted by the Company's share of their earnings or losses since effective control was acquired and, in the case of mining companies in the exploration stage, reduced by charges against earnings to the extent that the excess (attributable to mining properties) of the carried value of investment in these companies over the underlying net assets is considered to have declined. To be consistent with the Company's own practice, exploration costs which are deferred in the accounts of these companies in the exploration stage are treated as a current expense in determining the Company's earnings on the equity basis. Other long-term investments are written down when there is evidence of a permanent decline in their inherent worth below their carried value.

Property, Plant and Equipment

Land, buildings, machinery and equipment, including betterments to existing facilities, are carried at cost. When such assets are retired or otherwise disposed of, the cost of the assets and the related accumulated depreciation are removed from the accounts. Any gain or loss on retirements is reflected in the earnings for the year.

Depreciation, Depletion and Amortization

Plant and equipment of the companies are being depreciated, generally on a straight-line basis, over their estimated useful lives except that plant and equipment at the Company's mine properties acquired before 1965 were written off in prior years.

Development costs for the purpose of preparing mining areas beyond current requirements have been deferred, as have development costs relating to the bringing into production of a mine owned by an effectively controlled company. These development costs together with the cost of producing mining claims and quarries are being amortized by unit of production methods.

Petroleum and natural gas lease acquisition costs and development expenditures are amortized by the unit of production method based on estimated reserves. Unamortized acquisition and development costs of leases surrendered, abandoned or otherwise disposed of are charged against earnings in the year of disposition.

The excess of the Company's investment in Lake Ontario Cement Limited over its share in the underlying equity at date of acquisition is being amortized over a 25 year period.

Income Taxes

The Company and its subsidiaries follow the tax allocation method of accounting whereby the provision for income tax is based upon income reported in the accounts with the exception of available capital cost allowances of a predecessor company as outlined in note 3(e).

Consolidated Balance Sheet
Denison Mines Limited

As at December 31, 1974

Assets	1974	1973
Current Assets		
Cash and short-term deposits	[illegible]	$ 768,797
Marketable securities — at market which is lower than cost	[illegible]	4,170,505
Accounts receivable	[illegible]	13,920,319
Concentrate inventories	[illegible]	—
Cement product inventories	[illegible]	2,612,739
Supplies and prepaid expenses	[illegible]	2,622,750
	[illegible]	24,095,110
Long-term Investments (note 2)	[illegible]	25,352,407
Concentrate Inventories	—	20,178,756
Property, Plant and Equipment — at cost less accumulated depreciation and depletion of $90,153,717 (1973 $85,310,578)	[illegible]	58,439,480
Excess of Cost of subsidiaries over the net book value of their assets, less amortization	[illegible]	694,383
	[illegible]	$128,760,136

Signed on behalf of the Board

B. E. Willoughby, Director

John C. Puhky, Director

Liabilities	1973
Current Liabilities	
Bank loans — secured	$ 11,350,000
Accounts payable and accrued charges	7,190,408
Dividends payable	412,375
Income and mining taxes payable (note 3)	7,633,378
Long-term debt due within one year	706,800
Current portion of advances on concentrate sales contracts	2,000,000
	29,292,961
Advances on Concentrate Sales Contracts	7,630,030
Long-term Debt of Lake Ontario Cement Limited (note 4)	10,362,844
Minority Interest in Subsidiary Companies	11,049,317
Deferred Income Taxes (note 3)	3,768,000

Shareholders' Equity

Capital Stock	
Authorized — 6,000,000 shares of $1 par value each	
Issued and fully paid — 4,568,221 shares	4,568,221
Contributed Surplus	7,937,764
Retained Earnings	54,150,999
	66,656,984
	$128,760,136

Consolidated Statement of Earnings and Retained Earnings

For the Year Ended December 31, 1974

	1974	1973
Net earnings before items shown below	[illegible]	$20,755,438
Revenue from investments		
Dividends, interest and net results of security transactions (note 2(f))	[illegible]	489,375
Income (loss) determined by the equity method	[illegible]	(399,484)
	[illegible]	20,845,329
Deduct:		
Depreciation, depletion and amortization	[illegible]	4,512,659
Interest on long-term debt	[illegible]	1,110,167
Interest on prior years' income taxes under appeal	[illegible]	163,500
	[illegible]	5,786,326
	[illegible]	15,059,003
Income and mining taxes	[illegible]	4,054,500
Earnings before minority interest and extraordinary gain	[illegible]	11,004,503
Minority interest	[illegible]	1,204,670
	[illegible]	9,799,833
Extraordinary gain on disposal of property net of income taxes and related minority interest	[illegible]	—
Net earnings for the year	[illegible]	9,799,833
Balance of retained earnings at beginning of the year	[illegible]	50,746,675
	[illegible]	60,546,508
Dividends	[illegible]	6,395,509
Balance of retained earnings at end of the year	[illegible]	$54,150,999
Earnings per share for the year before extraordinary gain	[illegible]	$ 2.15
Earnings per share for the year	[illegible]	$ 2.15

Consolidated Statement of Changes in Financial Position

For the Year Ended December 31, 1974

	[illegible]	1973
Sources of Working Capital		
Current operations —		
Earnings for the year before minority interest and extraordinary gain	[illegible]	$11,004,503
Add: Items which did not require the use of working capital in the year		
Depreciation, depletion and amortization	[illegible]	4,512,659
Deferred income taxes	[illegible]	(70,500)
(Income) loss determined by the equity method	[illegible]	399,484
Other	[illegible]	201,251
Total from current operations	[illegible]	16,047,397
Concentrate inventories established in 1974 to be current because of developments in the industry	[illegible]	—
Realization of long-term investments	[illegible]	505,698
Issue of Lake Ontario Cement Limited debenture	[illegible]	—
	[illegible]	16,553,095
Uses of Working Capital		
Additions to property, plant and equipment	[illegible]	9,232,462
Repayment of Lake Ontario Cement Limited debenture	[illegible]	583,000
Reduction of other long-term debt	[illegible]	123,800
Purchase of long-term investments	[illegible]	1,476,839
Increase in concentrate inventories	[illegible]	1,537,592
Advances on concentrate sales contracts	[illegible]	(336,850)
Dividends to minority shareholders of Lake Ontario Cement Limited	[illegible]	196,895
Dividends	[illegible]	6,395,509
	[illegible]	19,209,247
Increase/(decrease) in Working Capital	[illegible]	$(2,656,152)

Notes to Consolidated Financial Statements

For the Year Ended December 31, 1974

1. Accounting Policies

The information on page 15 presents a summary of significant accounting policies and is an integral part of these financial statements.

2. Long-term Investments

(a) This item comprises:

	1974	1973
Investment in companies accounted for by the equity method		
Shares — note 2(b)	$ 4,916,092	$ 4,271,824
Debentures — note 2(e)	1,935,375	2,666,625
Loans	340,160	486,899
	7,191,627	7,425,348
Portfolio investments, at or below cost		
Shares — note 2(c)	20,109,985	16,940,663
Secured loans	901,869	986,396
	21,011,854	17,927,059
	$28,203,481	$25,352,407

(b) Included in shares of companies accounted for by the equity method are shares carried at $2,584,307 with a quoted market value of $1,912,594 (1973 — $663,845 and $1,664,850 respectively). The cost of investment in shares of companies accounted for by the equity method approximates the Company's share of the underlying net assets of these companies at dates of acquisition less amounts written off.

(c) Portfolio investments include shares carried at $19,611,440 with a quoted market value of $14,359,768 (1973 — $16,442,118 and $11,670,189 respectively).

(d) The quoted market values referred to above do not necessarily reflect the realizable value of these holdings which may be more or less than that indicated by market quotations.

(e) Debentures consist of 6½% Series A Black Hawk Mining Ltd. debentures (face value $1,985,000) due June 30, 1974. Black Hawk Mining Ltd. and its wholly-owned subsidiary have assigned to the Company (as security for the above principal, plus interest of $1,755,312 from January 1, 1967 which will be recorded in the accounts of the Company as received) all net monies which may be received by them from production from certain mineral properties in Maine which were brought into production late in 1972.

(f) Included in revenue from investments is revenue from portfolio investments of $706,216 (1973 — $489,062).

3. Income Taxes

(a) Income and mining taxes and petroleum and natural gas royalties have been calculated on the basis of prevailing law adjusted to reflect changes which have been announced by federal and provincial authorities but which have not yet been legislated. The "Small Explorers' Tax Credit" proposed by the Province of

Alberta has been reflected as a reduction of such royalties.

(b) The Company has received federal and provincial income tax re-assessments for the years 1962 to 1970 and federal and provincial income tax re-assessments to 1969 for certain wholly-owned subsidiary companies. Certain assets of the Company have been assigned to the tax authorities as security for the unpaid portion of these re-assessments pending settlement. Notices of objection have been filed with respect to re-assessments for the years 1962 to 1970, the primary issues being the inclusion in income of gains realized on the disposition of certain portfolio shares, and the disallowance of deduction by the Company of certain costs incurred upon a settlement in 1968 with a former agent. In the opinion of special counsel the Company and its subsidiaries should be successful in contesting these re-assessments with respect to such gains when the investment intention is demonstrable. The Company is satisfied that such intention can be shown. In the opinion of counsel the Company should continue its proceedings to support its deduction of such settlement costs and the Company should be successful with respect to a substantial portion of such costs. If these objections are unsuccessful the additional liability for income taxes to December 31, 1974 is estimated to be $2,288,000 plus interest of $1,034,000 in respect to investment gains and $2,058,000 plus interest of $827,000 in respect to the settlement costs, of which $970,000 has been reflected in the accounts. Current and deferred income taxes have been calculated on the basis that these objections will be successful to the extent not reflected in the accounts.

(c) In accordance with the Canadian Provincial Securities Administrators' National Policy 27, the Company in 1974 has retroactively to January 1, 1971 adopted tax allocation accounting in respect of oil and gas intangibles. Deferred taxes in this connection at December 31, 1974 and 1973 approximated the amount unrecorded as at January 1, 1971 and this change in accounting policy has no material effect upon the net earnings for the current and prior years.

(d) Unrecorded deferred income taxes in respect of timing differences related to depreciable assets and oil and gas intangibles prior to adoption of the tax allocation method of accounting amount to $9,336,000.

(e) The fixed assets of a predecessor company had a value for tax purposes only in excess of the net book value of such assets as at the date of amalgamation. This excess originated during the tax-exempt period of production from the mine of the predecessor company and has been applied in part by the Company to reduce income for tax purposes through depreciation claims in the current year. In accordance with an accounting practice generally accepted in the mining industry, the resulting reduction is reflected as a reduction in the provision for income taxes used in determining earnings before extraordi-

nary items rather than as an extraordinary credit to earnings. As a result of claiming the maximum claimable portion of this excess in the current period, the provision for income taxes otherwise required in the accounts was reduced by approximately $1,265,000 or $0.27 per share. Approximately $9,419,000 of this excess remains to be claimed for tax purposes in the future.

4. Long-term Debt of Lake Ontario Cement Limited

This item comprises:

	1974	1973
9¾% debenture due September 30, 1994	$15,500,000	$ —
9¾% debenture due June 30, 1991	—	10,500,000
8% to 9% mortgages due in 1977	275,844	314,644
8% notes repayable annually to January 31, 1976	170,000	255,000
	15,945,844	11,069,644
Repayable within one year	123,800	706,800
	$15,822,044	$10,362,844

The aggregate maturities in 1976 are $123,800, in 1977 are $1,058,244 and in each of 1978 and 1979 are $860,000.

5. Commitments and Contingencies

(a) Major capital expansion projects authorized to December 31, 1974 are currently estimated to cost approximately $30,000,000 of which $10,500,000 has been expended. Of the foregoing, amounts applicable to Lake Ontario Cement Limited are $16,500,000 and $5,300,000 respectively.

(b) Four months after the amalgamation of Denison Mines Limited and Stanrock Uranium Mines Limited a former shareholder of Stanrock commenced an action, on behalf of all the former shareholders of Stanrock, in New York State against the Company and other defendants claiming damages in the amount of $50,000,000. On May 1, 1974 two of the plaintiff's four claims were dismissed on defendants' motion for summary judgment. On that date plaintiff's motion for summary judgment was denied. In the opinion of management and counsel for the Company, there are good and valid defences to this action.

6. Gross Operating Revenue

Gross operating revenue of the Company for the year ended December 31, 1974 increased by 20.2% over 1973. The proportion of this percentage change attributable to the Uranium Division and to the Oil and Gas Division was 82% and 18% respectively. Consolidated sales of Lake Ontario Cement Limited were $39,398,521 in 1974 and $34,882,689 in 1973.

7. Remuneration of Directors and Senior Officers

Direct remuneration received by the directors and senior officers in 1974 amounted to $461,973 (1973 — $409,574).

Auditors' Report

To the Shareholders of Denison Mines Limited:

We have examined the consolidated balance sheet of Denison Mines Limited and its subsidiaries as at December 31, 1974 and the consolidated statements of earnings and retained earnings and changes in financial position for the year then ended. For Denison Mines Limited and those other companies of which we are the auditors and which are consolidated or are accounted for by the equity method in these financial statements, our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. For other companies, consolidated or accounted for by the equity method, we have relied on the reports of the auditors who have examined their financial statements.

In our opinion, these consolidated financial statements present fairly the financial position of Denison Mines Limited and its subsidiaries as at December 31, 1974 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

COOPERS & LYBRAND,
Chartered Accountants.

Toronto, Canada,
January 13, 1975.

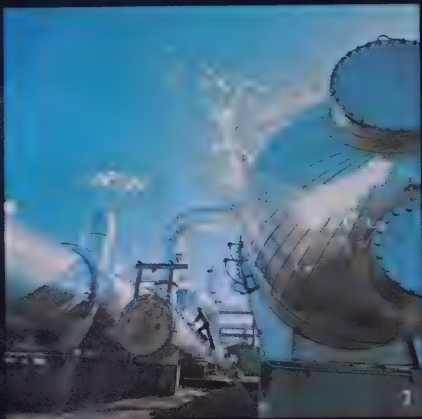
Five Year Summary

Denison Mines Limited and its Subsidiaries

Production Data	1974	1973	1972	1971	1970
Tons milled	1,290,000	1,432,000	1,454,000	1,387,000	1,178,000
Average grade (lbs. U_3O_8 per ton)	2.33	2.57	2.87	3.20	3.15
Pounds U_3O_8 produced	2,807,000	3,424,000	3,914,000	4,256,000	3,628,000
Crude oil (bbls.)	2,237,000	2,386,000	1,919,000	1,572,000	1,217,000
Natural gas (mcf)	2,236,000	2,103,000	1,773,000	1,118,000	864,000

Financial Data*					
Net earnings for the year	$12,554,551	$ 9,799,833	$ 7,892,786	$ 7,383,789	$ 8,066,539
— per share	2.75	2.15	1.73	1.62	1.77
Dividends paid	6,395,509	6,395,509	6,264,584	6,264,584	6,264,584
— per share	1.40	1.40	1.40	1.40	1.40
Shareholders' equity	72,816,026	66,656,984	63,252,660	61,624,458	60,505,253
— per share	15.94	14.59	13.85	13.49	13.24
Shares outstanding	4,568,221	4,568,221	4,568,221	4,568,221	4,568,221

* Restated where applicable to reflect the amalgamation in 1973.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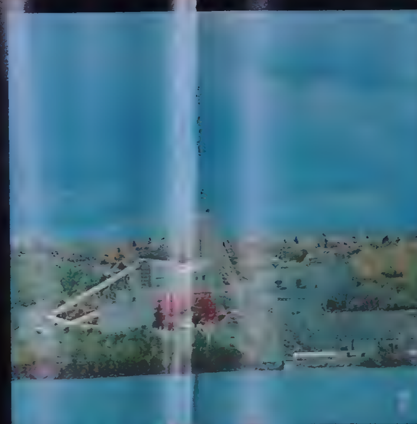
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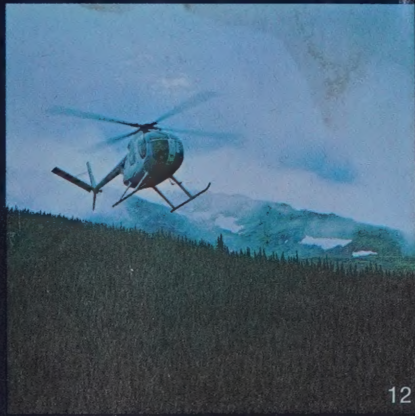
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Denver, Colorado 80203

Registrar and Transfer Agent
Guaranty Trust Company of Canada
Toronto, Ontario
Montreal, Quebec
Calgary, Alberta

Auditors
Coopers & Lybrand
Toronto, Ontario

Bankers
The Royal Bank of Canada
Toronto, Ontario

Solicitors
Fraser & Beatty
Toronto, Ontario

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Denison Operations

1. *Gas plant in southern Alberta.*
2. *Selecting and preparing a new coal trench.*
3. *Raw ore and uranium concentrates with #2 shaft at the Denison Mine in the background.*
4. *Roof bolting unit, a Denison innovation (drill on separate boom from operator).*
5. *Pump jack on producing oil well.*
6. *Japanese delegation examining coal trench on the Babcock project. Quintette mountain is visible in the background.*
7. *#2 shaft at the Denison Mine viewed from Quirke Lake.*
8. *Kiln control panel at Reiss Lime.*
9. *Gas plant in western Canada.*
10. *Pumping oil at one of Denison's older producing wells.*
11. *Connecting a new joint of drill pipe.*
12. *Mapping crews going out to the Wolverine coal project in north eastern British Columbia.*
13. *Geologists and engineers discussing the proposed location of the coal plant and mine entries for the Babcock project.*
14. *Engineer checking well head at shut-in gas well.*
15. *Expansion program at the Denison uranium mill — erecting steel for new 90 foot thickener in the washing-thickener area.*
16. *The Picton plant of Lake Ontario Cement viewed from across the bay.*
17. *Discussing exploration objectives in office trailer, Babcock coal project.*
18. *Worm's-eye view of an oil derrick.*

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